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WASHINGTON PERS-PERS-1

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LIQUIDATION POLICY

RESTRICTED

Office Memorandum • UNITED STATES GOVERNMENT

TO : Colonel Gamble
FROM : Major Tharp
SUBJECT: Personnel Liquidation.

DATE: 21 Sept. 1945

Following our discussion on 19 September 1945 regarding the liquidation of personnel, particularly the 1,004 carried in training U. S., which includes all personnel on overseas allotments who are still here, the following procedure was undertaken for liquidating same.

After clearance and collaboration with Major Joe Brown of the Personnel Procurement Branch, it was agreed that Mr. Robert H. Barnes of this office would contact the personnel officers of all branches and advise them that all personnel on overseas allotments who are still in the U. S. would either have to be transferred to Continental U. S. rolls or an 802B submitted, transferring them to the PPB Pool prior to Wednesday, 3 October 1945.

Mr. Barnes also advised the branches that if they elected to transfer any of this personnel to their Continental U. S. allotment, that they would have to submit the necessary Forms 801 and 802 with justification to PPB. The branches have also been advised that PPB has sole authority to approve or reject requests for transfer of this personnel to the U. S. allotment. This has also been fully discussed with Comdr Antell, Chief, Personnel Branch. I advised Antell that it was your wish that he have complete and final authority with reference to approving or rejecting the requisition Forms 802; that if he had any complaints following a rejection which he was unable to handle and thought would be of interest to you, this office was to be so advised. I advised him definitely, however, that you would support his hand to the fullest and that you had every confidence in his ability to deal with these requisitions on an objective, fair and impartial basis. As you know, this is a considerable departure from the authority that has been previously vested in the Chief of the Personnel Branch. At one time he did have this authority. However, of recent weeks he has functioned solely in a service capacity, approving whatever requisitions have been submitted by the branches.

*Time limit
revised to
28 Sept per
Col. Gamble
9/21 WST.*

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In view of the recognized lag in the personnel figures submitted by Major Rumph as of the close of business each Friday, there was no manner in which we could obtain a detailed picture of the status of those persons carried "in training U. S." This matter has been discussed with Major Joe Brown of PPB and they will undertake the following procedure to establish statistical control over this group of people:

(1) They will arrange for Major Rumph to submit to PPB an alphabetical list by branch of every person in the U. S. carried on an overseas allotment.

(2) They will check these lists against the Forms 802 and 802B submitted by the branches between now and 11 a.m., 2 October 1945, at which time Major Rumph's weekly report is due in this office. Effective that time they will furnish us a statement indicating the exact status of this group.

(3) If when this list is furnished by PPB it reflects any personnel on a foreign allotment still carried in the branch, this office (Executive Office) will contact the branch chief concerned and direct him to transfer that personnel either to the U. S. allotment, if he can justify same, or to the PPB Pool by Wednesday evening, 3 October 1945, and to confirm such action by memorandum addressed to the Executive Officer.

I visualize this procedure as the most important individual step in personnel liquidation undertaken to date. It will establish a pattern and procedure for our guidance and that of PPB to be used in connection with the disposition of personnel falling in other categories.

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OFFICE OF STRATEGIC SERVICES

Washington, D. C.

GENERAL ORDER

NUMBER: 93

ISSUED: 14 September 1945

EFFECTIVE: 27 August 1945

TO: List S

SUBJECT: Liquidation of OSS

1. Effective immediately, the Office of Strategic Services will commence to liquidate all functions and activities. Such liquidation will be completed as fully as practicable on or about 1 January 1946, at which time all such functions and activities will cease and all outstanding commitments and obligations will be cancelled so far as may be permitted by law.

2. The Liquidation Officer shall be responsible for the following:

- (a) Subject to the approval of the Director, establishing, coordinating and implementing an orderly and expeditious liquidation program;
- (b) Insuring that the several branches promptly establish a workable liquidation schedule and that such schedule is adhered to;
- (c) Insuring that all outstanding commitments and obligations are terminated as soon as possible;
- (d) Generally supervising all phases of the liquidation of the agency's affairs and making recommendations thereon to the Director wherever he shall deem advisable.

3. The current reduction in force program of this agency, made necessary by the reduced 1946 budget, will cease on 31 August 1945. Thereafter all terminations of Civil Service employees will be made solely in accordance with the special rules of the Civil Service Commission applicable to separation of employees on account of liquidation. Such rules shall also apply so far as possible to employees occupying excepted positions.

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4. The Chief, Personnel Branch, will be responsible for the following:

- (a) Insuring that all applicable rules and regulations are complied with and that no employee with veteran preference is separated before an employee without veteran preference where their positions are immediately interchangeable;
- (b) Within policies established by the Director and the Liquidating Officer, fixing the time for individual separation actions, both civilian and military, to be taken, and for carrying through all such actions.
- (c) Keeping all personnel advised of the progress of of liquidation plans insofar as particular branches and activities may be specifically affected.

William J. Donovan

William J. Donovan
Director

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Col. Gamble, Executive Officer

DATE: 10 September 1945

FROM : Major Wm. G. Tharp *WGT*

SUBJECT: Reduction, Civilian Personnel Ceiling, Continental U. S.

(1) Reference is made to the letter from the Director of the Budget addressed to General Donovan, dated 23 August 1945, copy attached. This letter sets a civilian personnel ceiling for the continental U. S. for all OSS activities at 1,000 (this to include personnel on .001, .002 and .003 funds). In accordance with this directive the new ceiling is to be met by 30 September 1945. Reference letter also set a ceiling for the Pacific Ocean Area (Hawaii only) of 8.

(2) The monthly personnel report compiled by the Budget and Procedures Branch for August 1945 showed a total personnel of 1,978 in all civilian categories in the continental U. S. and 10 in POA.

(3) If we are to comply with the civilian personnel ceiling set by the Director of the Budget it will mean initiating action to liquidate 978 people on the continental U. S. allotment and 2 in the POA area prior to 30 September 1945. Actually if we are to comply fully with the directive it would mean that 980 civilians in the respective categories should be released and off our rolls prior to the end of the current month.

(4) It appears to me that the logical procedure for this office would be to require that the Chief of the Personnel Branch, Lt. Colonel Ralph A. Burns, and the Deputy Director, Administrative Services, Louis M. Ream, should be called upon to review the continental U. S. civilian personnel rosters of the various branches and set ceilings consistent with their present and proposed operations and compatible with the overall personnel ceiling set forth in par. 1 above. Apparently there has always been a lack of coordination on the overall civilian ceiling for the continental U. S. between the personnel branches and the Deputy Director, Administrative Services. Until such time as ceilings are arrived at for the respective branches it will be impossible to carry out the liquidation of civilian personnel contemplated in reference letter.

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YEXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

August 23, 1945

My dear General Donovan:

From the information presented by your agency and in accordance with Public Law 106, 79th Congress, a determination has been made of the number of full-time civilian employees and man-months of part-time civilian employment which is required by the Office of Strategic Services for the proper and efficient performance of its authorized functions.

The numbers of full-time civilian employees here listed are the maximum numbers of such employees who may be in pay status at any one time on and after the effective date specified. The man-months of part-time civilian employment here listed represent the aggregate man-months of such employment allowable for the period indicated. These numbers do not include: (1) employees whose official station of duty is outside the 48 States, the District of Columbia, and the Territories and possessions, (2) casual workers--those hired "on the spot" without appointment, for short intervals to cope with fire, flood, and other emergencies, (3) persons who serve without compensation, and (4) persons whose earnings are properly chargeable to "O7 other contractual services" under the instructions in Budget-Treasury Regulation No. 1, Revised.

	<u>Continental United States</u>	<u>Territories and Possessions</u>	<u>Effective Date</u>
Full-time	1,000	8	September 30, 1945
Man-months	60		September 30, 1945

Very truly yours,

/s/ Harold D. Smith

Director

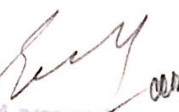
Major General William J. Donovan
Director, Office of Strategic Services
Washington, D. C.

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7 September 1945

4. A time schedule for the liquidation for functions and personnel not Robert Thrum, 2., and 3. above.
5. A time H. van B. Cleveland. Action of functions and personnel in 1., 2., and 3. above if the hypothesis made are not realized.

Liquidation Program.

Preparation of this program is a big piece of staff work. I believe it can be done most effectively on a staff level under Colonel Gamble's direction. In preparation of the program, General Donovan should be given primary responsibility for retention. General Donovan's letter to the Budget Bureau and subsequent statements in outgoing cables make it clear that the liquidation of OSS over the next four months is to be guided by three purposes:

1. We are to hang on as long as possible to functions and personnel who would be necessary to a central intelligence agency.
2. We are to transfer to other agencies units and personnel whose job should, in the national interest, go on being done, but which are not necessarily the job of a central intelligence agency.
3. We are to get rid of other functions and personnel as rapidly as possible.

It is obvious that it is a big and complicated job. It cannot be done in the short time available, unless a careful program is prepared, a program which will guide the Branches and overseas Missions in the making of the thousands of individual decisions required. Without such a program we will dissipate priceless talent and expensive experience; we will inevitably throw out the baby with the bath.

Such a program would have to cover the following:

1. Functions, units and personnel in Washington and overseas which should be retained as a nucleus for a central intelligence agency.
2. Approximate organizational form for a nucleus central intelligence agency.

Answer to 1. and 2. cannot, of course, be hypothetical only. We do not have the time to wait for clarification of the difficult interagency jurisdictional questions raised. But we do have in the General's memoranda accompanying his letter to the Budget Bureau, in the General's and the JCS proposals for a central intelligence agency and in the memoranda prepared by and for General Magruder, a series of fairly consistent ideas of what a central intelligence agency should be and do. Working with these as hypothesis, we can answer questions 1. and 2.

3. Functions, units and personnel which should be offered to other agencies.

Again, we cannot wait for interagency agreement. We should determine these on our own account and offer them to the other agency concerned before liquidating.

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4. A time schedule for the liquidation for functions and personnel not included in 1., 2., and 3. above.
5. A time schedule for liquidation of functions and personnel in 1., 2., and 3. above if the hypothesis made are not realized.

Preparation of this program is a big piece of staff work. I believe it can be done most effectively on a staff level under Colonel Gamble's direction. In preparation of the program, General Donovan should be given primary responsibility for getting answers to the questions on the functions and structure of a hypothetical central intelligence agency. The rest of the job should be done by Colonel Gamble's own staff, augmented as necessary by loan of appropriate personnel.

A clear directive from General Donovan is necessary to all Branch Chiefs to give first priority to cooperate with Colonel Gamble in the preparation of the program.

The program should be completed, at least in preliminary form within 10 days to two weeks. We cannot afford a longer delay.

Mr. Putzell is hereby appointed Assistant to the Director.

William J. Donovan
Director

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OFFICE OF STRATEGIC SERVICES
Washington, D. C.

SPECIAL ORDER

NUMBER: 44, Supp. 6
ISSUED: 5 September 1945
EFFECTIVE: 5 September 1945

TO: List S

SUBJECT: Appointments of Col. Edward J. Gamble, Executive
and Liquidating Officer; Edwin J. Putzell, Jr.,
Assistant to the Director.

Col. Edward J. Gamble is hereby appointed Executive and
Liquidating Officer vice Mr. Edwin J. Putzell, Jr., relieved
as Executive Officer.

Mr. Putzell is hereby appointed Assistant to the Director.

William J. Donovan
Director

LIQUIDATION POLICY

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25 August 1945

Mr. Harold D. Smith, Director
Bureau of the Budget
Executive Office of the President
Washington, D. C.

My dear Mr. Smith:

In answer to your communication of August 23, 1945 in reference to further reduction of personnel, we are working under what is in effect a liquidation budget. Within its provisions we have taken steps to terminate many of our operational (as distinct from intelligence) activities and to reduce the remaining parts to a size consistent with present obligations in the Far East, in the occupation of Germany and Austria, and in the maintenance of missions in the Middle East and on the Asiatic and European continents.

As our liquidation proceeds it will become increasingly difficult to exercise our functions so that we have found it necessary to set up a liquidating committee with procedures and controls to provide for the gradual elimination of our services in step with the orderly reduction of personnel.

It is our estimate, however, with the strictest economy of manpower and of funds the effectiveness of OSS as a War Agency will end as of January 1, or at the latest February 1, 1946, at which time liquidation should be completed. At that point I wish to return to private life. Therefore, in considering the disposition to be made of the assets created by OSS, I speak as a private citizen concerned with the future of his country.

In our Government today there is no permanent agency to take over the functions which OSS will have then ceased to perform. These functions while carried on as incident to the war are in reality essential in the effective discharge by this nation of its responsibilities in the organization and maintenance of the peace.

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Since last November, I have pointed out the immediate necessity of setting up such an agency to take over the valuable assets created by OSS. Among these assets was the establishment for the first time in our nation's history of a foreign secret intelligence service which reported information as seen through American eyes. As an integral and inseparable part of this service there is a group of specialists to analyze and evaluate the material for presentation to those who determine national policy.

It is not easy to set up a modern intelligence system. It is more difficult to do so in time of peace than in time of war.

It is important therefore that it be done before the War Agency has disappeared so that profit may be made of its experience and "know how" in deciding how the new agency may best be conducted.

I have already submitted a plan for the establishment of a centralized system. However, the discussion of that proposal indicated the need of an agreement upon certain fundamental principles before a detailed plan is formulated. If those concerned could agree upon the principles within which such a system should be established, acceptance of a common plan would be more easily achieved.

Accordingly, I attach a statement of principles, the soundness of which I believe has been established by study and by practical experience.

Sincerely,



William J. Donovan
Director

Enclosure

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Principles - The Soundness Of Which It Is Believed Has
Been Established By Our Own Experience And A First-Hand
Study Of The Systems Of Other Nations - Which Should
Govern The Establishment Of A Centralized United States
Foreign Intelligence System.

The formulation of national policy both in its political and military aspects is influenced and determined by knowledge (or ignorance) of the aims, capabilities, intentions and policies of other nations.

All major powers except the United States have had for a long time past permanent worldwide intelligence services, reporting directly to the highest echelons of their Governments. Prior to the present war, the United States had no foreign secret intelligence service. It never has had and does not now have a coordinated intelligence system.

The defects and dangers of this situation have been generally recognized. Adherence to the following would remedy this defect in peace as well as war so that American policy could be based upon information obtained through its own sources on foreign intentions, capabilities and developments as seen and interpreted by Americans.

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1. That each Department of Government should have its own intelligence bureau for the collection and processing of such informational material as it finds necessary in the actual performance of its functions and duties. Such a bureau should be under the sole control of the Department head and should not be encroached upon or impaired by the functions granted any other Governmental intelligence agency. Because secret intelligence covers all fields and because of possible embarrassment, no executive department should be permitted to engage in secret intelligence but in a proper case call upon the central agency for service.

2. That in addition to the intelligence unit for each Department there should be established a national centralized foreign intelligence agency which should have the authority:

- A. To serve all Departments of the Government.
- B. To procure and obtain political, economic, psychological, sociological, military and other information which may bear upon the national interest and which has been collected by the different Governmental Departments or agencies.
- C. To collect when necessary supplemental information either at its own instance or at the request of any Governmental Department by open or secret means from other and various sources.

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D. To integrate, analyze, process and disseminate, to authorized Governmental agencies and officials, intelligence in the form of strategic interpretive studies.

3. That such an agency should be prohibited from carrying on clandestine activities within the United States and should be forbidden the exercise of any police functions either at home or abroad.

4. That since the nature of its work requires it to have status it should be independent of any Department of the Government (since it is obliged to serve all and must be free of the natural bias of an operating Department). It should be under a Director, appointed by the President, and be administered under Presidential direction, or in the event of a General Manager being appointed, should be established in the Executive Office of the President, under his direction.

5. That subject to the approval of the President or the General Manager, the policy of such a service should be determined by the Director with the advice and assistance of a Board on which the Secretaries of State, War, Navy and Treasury should be represented.

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6. That this agency, as the sole agency for secret intelligence, should be authorized, in the foreign field only, to carry on services such as espionage, counter-espionage and those special operations (including morale and psychological) designed to anticipate and counter any attempted penetration and subversion of our national security by enemy action.

7. That such a service should have an independent budget granted directly by the Congress.

8. That it should be authorized to have its own system of codes and should be furnished facilities by Departments of Government proper and necessary for the performance of its duties.

9. That such a service should include in its staff specialists (within Governmental Departments, civil and military, and in private life) professionally trained in analysis of information and possessing a high degree of linguistic, regional or functional competence, to analyze, coordinate and evaluate incoming information, to make special intelligence reports, and to provide guidance for the collecting branches of the agency.

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10. That in time of war or unlimited national emergency, all programs of such agency in areas of actual and projected military operations shall be coordinated with military plans, and shall be subject to the approval of the Joint Chiefs of Staff, or if there be a consolidation of the armed services, under the supreme commander. Parts of such programs which are to be executed in the theater of military operations shall be subject to control of the military commander.

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